CALIFORNIA MEDICAL ASSISTANCE COMMISSION
770 L STREET, SUITE 1000
SACRAMENTO, CA 95814
(916) 324-2726
(916) 324-5597 FAX
http://www.cmac.ca.gov

CALIFORNIA MEDICAL ASSISTANCE COMMISSION

State Capitol, Room 447
Sacramento, CA

Minutes of Meeting
April 26, 2007

COMMISSIONERS PRESENT
Cathie Bennett Warner, Chair
Wilma Chan
Jerome Horton
Vicki Marti
Nancy McFadden
John Longville

COMMISSIONER ABSENT
Michele Burton, M.P.H.

EX-OFFICIO MEMBERS PRESENT
Thomas Williams, Department of Finance
Toby Douglas, Department of Health Services

CMAC STAFF PRESENT
Keith Berger, Executive Director
Tacia Carroll
Paul Cerles
Denise DeTrano
Holland Golec
Mark Kloberdanz
Katie Knudson
Marilyn Nishikawa
Steve Soto
Becky Swol
Michael Tagupa
Mervin Tamai
Karen Thalhammer

I. Call to Order

The April 26, 2007 open session meeting of the California Medical Assistance Commission (CMAC) was called to order by Chair Cathie Bennett Warner. She expressed her sadness that Diane Griffiths was no longer on the Commission, but was pleased to be able to introduce and welcome a wonderful new replacement, Commissioner John Longville, appointed by the Assembly Speaker, Fabian Núñez. A quorum was present.

II. Approval of Minutes

The April 12, 2007 meeting minutes were approved as prepared by CMAC staff.

III. Executive Director's Report

Keith Berger, Executive Director, began his report and also offered a formal welcome to CMAC's new Commissioner, John Longville. He said CMAC was pleased to have him on the Commission, and that staff and the Commissioners looked forward to working with him. Mr. Berger expressed that Commissioner Longville's predecessor, Diane Griffiths, had provided great continuity, support and guidance to CMAC over the last five years and will be greatly missed. Mr. Berger said CMAC is pleased to have such a good replacement.

Mr. Berger said he would keep his comments brief given that there was a scheduled presentation by the Children's Hospital Association on the agenda, and a very full closed session agenda.

Regarding the Distressed Hospital Fund, Mr. Berger reported that letters initiating this year's process were sent out to all Selective Provider Contracting Program (SPCP) hospitals last week. He said the proposed schedule and a copy of the template letter have been posted on the CMAC website and shared with the hospital association. Copies of the schedule were also available at the meeting along with CMAC's standard materials.

Mr. Berger noted that there were 14 managed care and hospital amendments and contracts before the Commissioners for their review and action in closed session, as well as a number of important negotiation updates and discussions of ongoing negotiation strategies.

IV. Department of Health Services (CDHS) Report

Toby Douglas, Assistant Deputy Director, Medical Care Services, CDHS, began his report by informing CMAC that the main focus for CDHS has been the Governor's health care reform proposal. He noted that last week the Centers for Medicare & Medicaid Services (CMS) met with CDHS, the Administration and Legislative staff, to further discuss coverage expansions, prevention efforts, rate increases and overall financial participation of the federal government.

Mr. Douglas also indicated that they were continuing meetings with stakeholder groups on various issues and that CMAC will be involved in a stakeholder meeting later that day to discuss the medical loss ratio component of the reform proposal.

Mr. Douglas explained that CDHS has been providing assistance to hospitals discussing the internal modeling of the overall impacts of increasing Medi-Cal reimbursement to Medicare rates and of the four percent fee being proposed.

V. Appearance by California Children's Hospital Association

The California Children's Hospital Association's (CCHA) new President and CEO, Diana Dooley, and her current board chairman, CEO of Children's Hospital of Central California, William Haug, provided an overview of the general activities, challenges and issues faced by children's hospitals during the past year.

In response to questions from Commissioners Chan and Horton, Ms. Dooley and Mr. Haug also discussed issues related to indigent care outpatient reimbursement options and efforts to address the workforce shortages they had mentioned. The attached material provided by CCHA offers more detail regarding the CCHA's presentation.

VI. New Business/Public Comments/Adjournment

There being no further new business and no comments from the public, Chair Bennett Warner recessed the open session. Chair Bennett Warner opened the closed session, and after closed session items were addressed, adjourned the closed session, at which time the Commission reconvened in open session. Chair Bennett Warner announced that the Commission had taken action on hospital and managed care contracts and amendments in closed session. The open session was then adjourned.

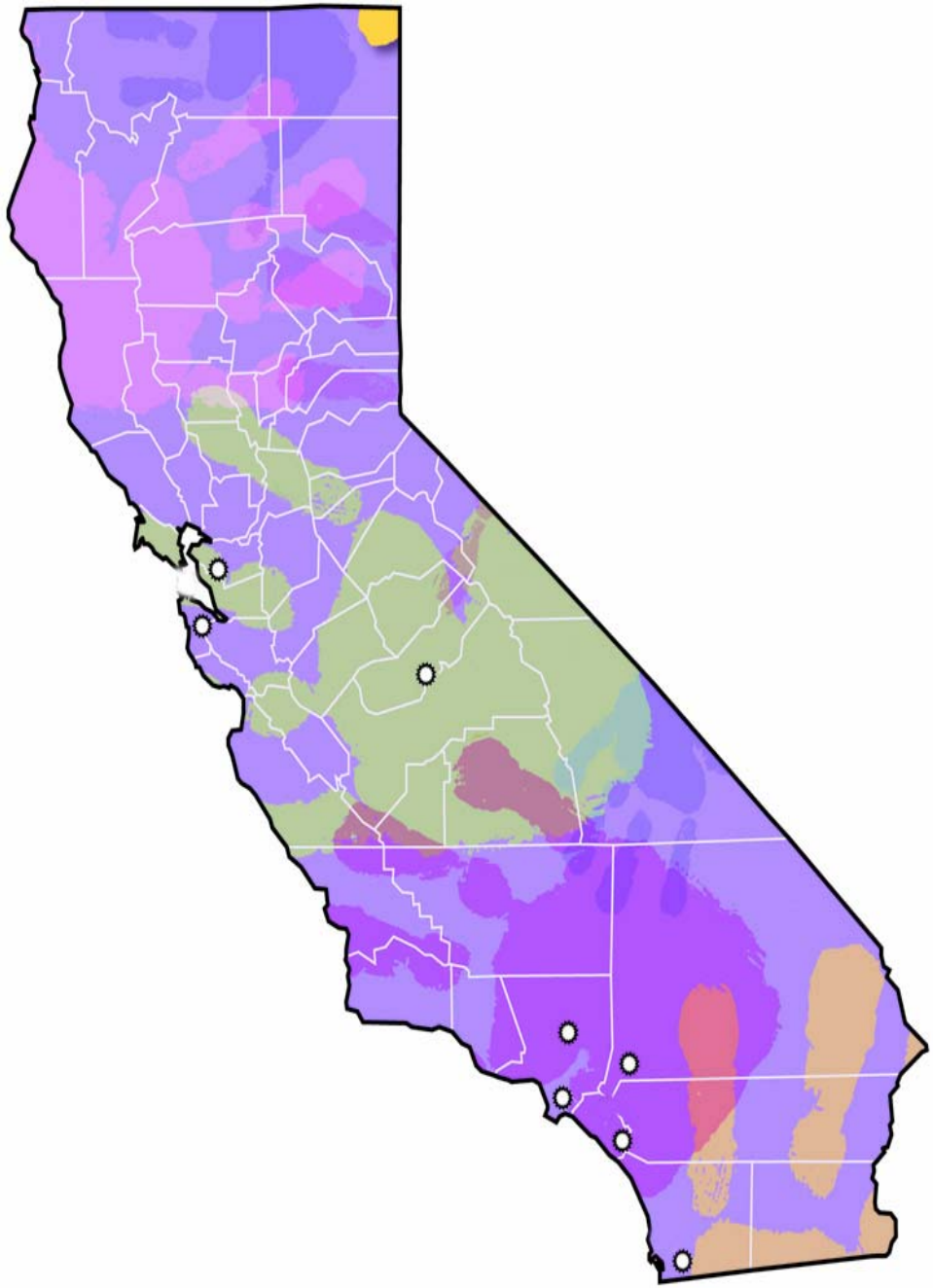
Challenges and Opportunities for the Pediatric Safety Net in 2007

Presentation to
California Medical Assistance Commission

William F. Haug, President & CEO
Children's Hospital Central California and
Chairman, California Children's Hospital Association
April 26, 2007

California's Network of Regional, Non-Profit Children's Hospitals

Children's Hospital Central California, Madera
Childrens Hospital Los Angeles
Children's Hospital Orange County, Orange
Children's Hospital & Research Center at Oakland
Loma Linda University Children's Hospital
Lucile Salter Packard Children's Hospital, Palo Alto
Miller Children's Hospital, Long Beach
Rady Children's Hospital & Health Center, San Diego



Children's Hospitals: The Pediatric Safety Net

- *Highly* dependent on government support -- on average, Medi-Cal is the payer for 50% of all children's hospitals' patients and over 70% at Los Angeles and Central California

- Treat *all* children who need us -- and are often the hospital of last resort for kids, just as county hospitals are for adults

- One-third of all the State's CCS special care centers, serving children with the most serious illnesses, are in children's hospitals

- Provide the most intensive levels of pediatric care in the State -- Over 50 percent of the Pediatric Intensive Care Unit (PICU) beds are in children's hospitals

- Receive 42 percent of all pediatric transfers in the State -- 10 times the number of neonate transfers (children under the age of 29 days) because children's hospitals are the best equipped and trained to handle seriously ill and injured kids

Children's Hospitals: Our Work

- Provide comprehensive and resource intensive services to the State's sickest and most vulnerable children
- Train future pediatricians and specialty care providers, providing graduate medical training for more than 650 full-time residents
- Conduct critically important pediatric medical research – for example, Children's Hospital and Research Institute Oakland is in the top 10 pediatric research institutes and children's hospitals in the country for NIH funding

Challenges Facing Children's Hospitals

- Shortage of pediatric nurses and specialty physicians
- More patients need care than beds available
- Inadequate reimbursement, especially with shift to outpatient services
- Quality and transparency standards and measurements have not yet been developed for pediatrics

Addressing Our Challenges

- Workforce Shortages – recruit, train, & retain doctors and nurses
- Capacity – capital expansion to treat more kids
- Reimbursement – dependence on DSH and supplemental payments is unpredictable and inefficient and does not properly compensate outpatient care
- Quality and Transparency – adult standards are inadequate for meaningful measurement and reporting of pediatric performance

Nurse Workforce Shortages

- Recruiting and retaining nurses in California is a challenge due to high cost of living

- Nurse Residency program – Several children's hospitals use their hospital as the classroom.
  - Program is 6 months.
  - Includes one-on-one clinical training with expert preceptors for all clinical experiences for 500 hours
  - 200 hours in classroom setting
  - RN mentor
  - Rotations to various units
  - Residents are paid for their work – typically the same as a Clinical Nurse RN level 1

  A high percentage of these residents become permanent hospital employees when they complete the program

Physician Workforce Shortages

- National shortage of pediatric sub-specialists makes competition intense
- Low Medi-Cal reimbursement is a major impediment for recruitment in California
- Children's hospitals must invest heavily in physician recruitment and support to get essential coverage for their programs and services
- Physician shortages and costs cause delays in access for both inpatient and outpatient services

Capacity Expansion

- Must expand & update facilities to meet the growing population of children that need care – A 35% increase in the population of young children in California is projected over the next two decades

- Children's Hospital Bond Act of 2004, approved by a 58% vote, has been essential for hospital construction, renovations, and equipment purchases at all hospitals

- None of the bond funds can be used for treatment, care or other operational costs

- Children's Hospitals are exploring possibility of seeking voter approval for additional bond authority in 2008

Reimbursement

- Threatened loss of DSH and supplemental payments compels consideration of alternative approach for funding pediatric care

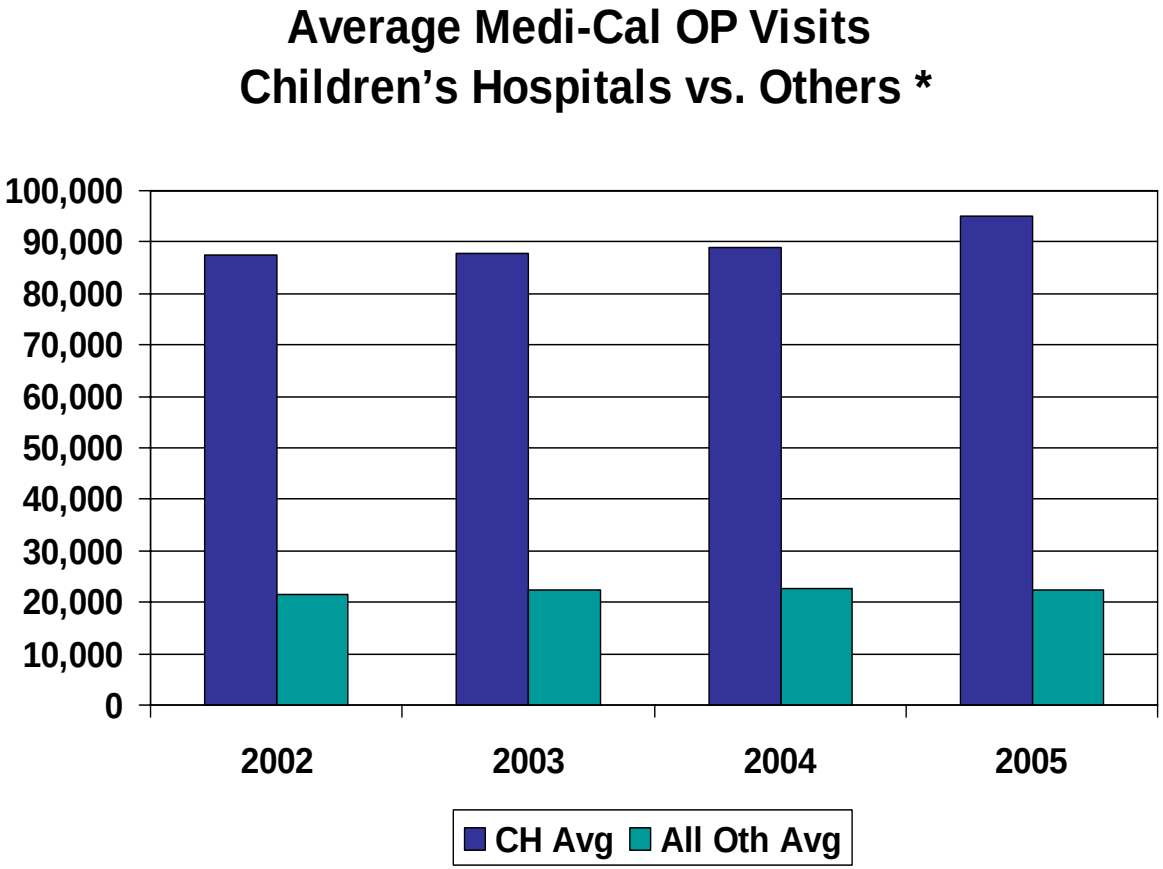
- Costs unique to children's hospitals such as child life, patient & family education and physician support must be "allowable" costs

- High outpatient volume – over 1.5 million cases per year – cannot be sustained under existing reimbursement system

- High acuity pediatric patients require more resources, including staff time

Medi-Cal Outpatient Volume

Children's hospitals provide more complex and costly services to a higher volume of Medi-Cal outpatients than other hospitals



7 Children's hospitals provide four times the OP services as 392 other acute care hospitals

Source: OSHPD Hospital Annual Disclosure Report FYE 2005

* Includes both pediatric and adult Medi-Cal outpatient visits

Quality and Transparency

- Demonstration project to reduce NICU blood stream infections sponsored by children's hospitals and DHS California Children's Service Branch
- Working with CHART to adopt appropriate pediatric outcome measures
- "Quality Counts for Kids" statewide conference brings hospital and government leaders together with private payers and consumers to set a common agenda

A Brave New World for Healthcare?

But what do we do until then?

- Because of the peer grouping DSH cap and finite amount of DSH replacement funds available, Children's Hospitals fall further behind other DSH hospitals every year. Coupled with the increasing volume of care provided to Medi-Cal beneficiaries, our hospitals are even more dependent on supplemental funds.

- Unless all essential costs can be recognized as "allowable", there will continue to be an artificial ceiling for payments to Children's Hospitals.

- There must be a renewed commitment to addressing the serious under-funding of outpatient care.

Children's Hospital Basic Principles for Healthcare Finance Reform

- Develop a payment system that is stable and predictable -- Medicare model for pediatrics won't work
- Decrease administrative overhead and complexity
- Recognize and compensate the true cost of providing services
- Maintain some level of discretionary, supplemental funding to protect safety net

CMAC understands Children's Hospitals' unique responsibilities and challenges.

We look forward to continuing to work with the Commission and staff to insure the preservation of the pediatric safety net for California's children.